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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001789

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STATE FOR EAP/TC  
USTR FOR ALTBACH AND WINELAND  
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TREASURY PASS FRB OF GOVERNORS, AND SF FRB/TERESA CURRAN

E.O. 12958: DECL: 05/25/2026

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SUBJECT: TAIWAN FINANCIAL SUPERVISORS ON INTERNATIONAL  
COOPERATION

REF: TAIPEI 1644

Classified By: AIT DEPUTY DIRECTOR DAVID J. KEEGAN, REASONS 1.4 B, C.

¶1. (SBU) Summary: Taiwan Financial Supervisory Commission (FSC) Department of International Affairs Acting (DIA) Director General Mr. Andrea Lee told AIT on May 16 that former KMT Chair Lien Chan's trip to China in April had set the stage for improvements in cross-Straits economic issues, and he expected a "breakthrough" in banking to occur soon. Lee discussed new FSC duties, the upcoming Trade and Investment Framework Agreement (TIFA) talks, and inquired about the status of two pending MOUs on financial information sharing. Action request para 7. End Summary.

#### Progress on Cross-Straits Economic Issues

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¶2. (C) At a meeting on May 16 between officials from the FSC, DIA and AIT Economic Section, Acting Director General Andrea Lee (a man) said he had come to the meeting directly from the Taiwan Legislature (LY) where he had been answering questions on cross-Straits financial exchanges. Lee said he sensed an improvement in the tone of partisan discussion on cross-Straits economic relations ever since former KMT Chair Lien Chan led a business delegation to the KMT-CPC economic forum in Beijing in April. Lee credited Lien's trip with having served as a catalyst for the several subsequent small moves to relax cross-Straits economic relations, including recent expansions of the "mini-links" between Kinmen and the PRC, as the Chen Administration strove to demonstrate that it could deliver improvements in cross-Straits economic ties just like the KMT.

#### "Breakthrough" Due in June

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¶3. (C) Lee believed that the current mood of "competitive relaxation" of cross-Straits economic restrictions would lead to more dramatic opening measures after the Economic Sustainable Development Conference (ESDC, reftel) scheduled to be held in Taipei June 18-19. He predicted that there would be a "breakthrough" allowing four PRC banks to set up

representative offices in Taiwan in exchange for seven Taiwan banks being allowed to upgrade existing representative offices in Mainland China into full-fledged branches. He was optimistic that the two sides would sign an agreement allowing regulatory inspections to be handled through private channels, such as by certified public accountants, rather than by official regulators.

#### Overseas Branches Most Profitable

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14. (C) Lee said that currently the most profitable Taiwan bank branches were ones located overseas, and indicated that Taiwan banks believed the China market would be exceptionally profitable due to the number of Taiwan companies located there that would prefer doing business with a Taiwan bank. He noted that China has a WTO commitment to permit foreign banks to handle RMB savings deposits and other local business starting next year. PRC banks in Taiwan might find business opportunities among Taiwan business people posted in China, or foreign exchange and fund transfers for trading firms engaged in cross-Straits trade.

#### View of the Mainland Affairs Council (MAC)

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15. (C) MAC Economic Affairs Deputy Director General Chien Chuan-deng told AIT on May 23 that the MAC does not oppose cross-Straits banking exchanges. However, he said, such exchanges require (Taiwan and PRC) regulatory supervision, and current PRC laws require an agreement on regulatory issues with a foreign country before banks from that country can set up branches in China. He added that MAC has no

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objection to an MOU with the PRC to facilitate cross-Straits banking, and with such an MOU the MAC would not oppose PRC bank representative offices in Taiwan. Chien said that such an MOU could be signed by the FSC, or by the (private) Taiwan Bankers Association, on behalf of the FSC.

#### Currency Exchange, Tax Agreement, TIFA

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16. (C) Lee said that Taiwan's central bank is currently drafting regulations to expand NTD:RMB currency exchange to various tourist areas in Taiwan where PRC tourists may visit. He also said Taiwan wants to sign an agreement on avoidance of double taxation with the United States. Taiwan believes such an agreement will benefit businesses and financial institutions in their international operations. Taiwan attaches much importance to the upcoming Trade and Investment Framework Agreement (TIFA) talks and high ranking officials, including Vice Economic Minister Steve Chen, have instructed all Taiwan agencies to "find solutions" and "resolve outstanding issues."

#### FSC Expanding Duties, Reach

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17. (SBU) Lee mentioned that at the beginning of May the FSC DIA had assigned to take over from the FSC Banking Bureau responsibilities related to international terrorist finance and money laundering issues. Earlier this year, the DIA took over from the Banking Bureau as an FSC point of contact on general international and cross-Straits financial issues. The DIA had recently received Executive Yuan permission to establish a representative office in London, similar to the one it established in New York last year. Lee said the new office does not require additional approval from the UK government since administratively it will come under the Taiwan representative office in London. He said it should be operational by the end of this year. (The Ministry of Foreign Affairs confirmed to AIT that the FSC office in London would administratively be a part of the Taiwan MOFA representative office there.)

## Two MOUs in Process

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18. (C) Action request: Lee noted that the U.S. Commodity Futures Trading Commission (CFTC) and the U.S. Federal Reserve Board both were working on new information sharing agreements with the FSC and he inquired about the status of the pending MOUs. AIT/T requests guidance on how to respond to Lee's question on the current status of these two MOUs.

YOUNG